



1998 SMALL BUSINESS PROFILE

SMALL BUSINESS: HEART OF THE ARIZONA ECONOMY

The importance of small business to the state of Arizona is apparent in the 1998 Small Business Profile. This year's findings, compiled by the U.S. Small Business Administration's (SBA) Office of Advocacy, indicate that small businesses are vital to the state's economy. Not only do small businesses play a critical role by efficiently reallocating the state's resources and injecting new ideas into the economy with business starts and stops, but their diversity and composition provide the work force with many opportunities.

Number of Businesses - In 1997, Arizona had 97,009 businesses with employees; 97.3 percent of the businesses were small businesses (percent based on 1995 data for businesses with fewer than 500 workers). In addition to the number of employer businesses, the state also had 164,000 self-employed persons in 1997.

Small Business Income - The income of sole proprietors and partners rose 5.5 percent to \$6.6 billion in 1997, while wage-and-salary income rose 9.0 percent. The state also exported \$13.6 billion of goods in 1997. (In 1992, 79.8 percent of the exporters in the state were small businesses.)

Women-Owned Businesses - According to The National Foundation for Women Business Owners, as of 1996, there were 130,000 women-owned businesses in Arizona, including part-time firms, employing 336,500 people and generating \$33.9 billion in sales. Between 1987 and 1996, the number of women-owned businesses increased 97.3 percent.

Minority Businesses - According to the latest Bureau of the Census data, the number of black-owned firms, including part-time firms, increased 62.1 percent from 1987 to 1992, totaling 2,936 in 1992. The number of Hispanic-owned firms, including part-time businesses, rose 81.2 percent during the same time period with 17,835 firms in 1992. There has also been a marked increase in the number of businesses owned by Asian and Pacific Islanders, American Indians, and Alaskan Natives. The number for this group grew from 3,398 in 1987, to 5,852 in 1992, representing a 72.2 percent increase.

Business Turnover - Between 1996 and 1997, the number of new firms decreased 5.6 percent, while new business incorporations decreased 7.3 percent. Financial difficulties leading to business bankruptcies decreased by 3.9 percent and business failures increased by 19.5 percent.

Finance - An SBA Office of Advocacy study found that the number of banks in Arizona increased from 34 in 1994 to 37 in 1997. The study also found the top lenders to small businesses in FY 1997 were:

Bank Name	Location
FRONTIER ST BK	Show Low
MOHAVE ST BK	Lake Havasu City
COUNTY BK	Prescott
STOCKMENS BK	Kingman
COMMUNITY BK OF AZ	Wickenburg
ARIZONA BK	Tucson
NATIONAL BK OF AZ	Tucson
BANK ONE AZ NA	Phoenix

Small businesses seeking loans should also consider banks that participate in SBA loan programs. To locate an SBA preferred or certified lender near you, call 1-800-8-ASK-SBA.

Job Growth - From 1992 to 1996, small businesses (fewer than 500 employees) created 93.5 percent of the net new jobs. The figures below indicate the importance of small businesses as job creators.

Number of Jobs Created by Major Industry and Employment Size of Firm, 1992-1996

Industry	1-4	5-19	20-99	100-499	500+	Totals
All Industries	108,693	59,275	50,110	42,690	18,171	278,940
Manufacturing	4,025	5,720	5,953	6,156	5,706	27,562
Retail Trade	23,917	6,833	9,449	8,083	(772)	47,509
Services	47,900	21,716	19,630	21,712	21,546	132,503
Other	32,850	25,006	15,079	6,738	(8,310)	71,364

Industries - Small firms in the state are represented in many industries. The Eating & Drinking Places industry is the largest small business employer in Arizona, followed by Special Trade Contractors. The fastest growing industry for small business is Metal Mining (represents industries that were at least 0.25 percent of the 1995 total). The following three tables provide information about the small business sector in the state.

Table 1, Top Five Industries by Employment, 1995

Industry	SIC	Total Empl.	Percent of total	Percent small
Total - All Industries	1	1,506,877	100.0	52.6
Health Services	8000	147,405	9.8	38.8
Eating & Drinking Places	5800	133,083	8.8	66.6
Business Services	7300	122,974	8.2	45.0
Special Trade Contractors	1700	82,904	5.5	93.1
Wholesale Trade - Durable Goods	5000	55,510	3.7	69.8

Table 2, Top Small Business Industries by Employment, 1995

Industry	SIC	Small Bus. Empl.	Percent of total	Percent Small
Total - All Industries	1	792,695	100.0	52.6
Eating & Drinking Places	5800	88,662	8.8	66.6
Special Trade Contractors	1700	77,188	5.5	93.1
Health Services	8000	57,244	9.8	38.8
Business Services	7300	55,369	8.2	45.0
Wholesale Trade - Durable Goods	5000	38,723	3.7	69.8

Table 3, Fastest Growing Industries in Employment for Small Business, 1994 - 1995

Industry	SIC	Small Bus. Empl. 1995	Net change	Percent change
Total - All Industries	1	792,695	35,577	4.5
Metal Mining	1000	615	109	17.7
Heavy Construction	1600	9,956	1,632	16.4
Primary Metal Industries	3300	1,162	176	15.1
Electric, Gas, & Sanitary Services	4900	3,080	462	15.0
Transportation Equipment	3700	4,017	597	14.9

Sources: Office of Advocacy, U.S. Small Business Administration from data provided by the Department of Commerce, Department of Labor, Administrative Office of the U.S. Courts, Federal Reserve Board, Dun & Bradstreet Corporation, National Foundation for Women Business Owners, and Cognetics, Inc.